

SECTION 6.80 FLEXIBLE SPENDING ACCOUNTS

Last Update: 10/07

The Flexible Spending Account (FSA) program is a benefit option that may save employees money. The program offers two plans: health FSA and dependent care FSA. Both plans offer employees the opportunity to cut their tax bill and increase their spendable income by using pre-tax dollars to pay for eligible medical and dependent child/adult care. Employees may authorize pre-tax payroll deductions up to a maximum of \$2,500 (\$3,000 effective for 2008) for health and \$5,000 for dependent care annually from which they are reimbursed for qualifying expenses.

Employees must have either probationary or permanent status and work at least 20 hours per week to be eligible to participate in the plan. **Temporary employees are not eligible to participate.** New employees may enroll within 30 calendar days of employment. All other eligible employees must enroll during scheduled open enrollment periods, which are typically held annually in the fall. Participants must re-enroll each year to continue in the plan. Employees also may enroll or change their deductions within 30 calendar days of a change in family or employment status.

Employees must think carefully about their payroll deduction amount. Other than a 2 ½ month grace period, the Iowa tax code and Internal Revenue Service (IRS) regulations do not permit any balance from the employee's FSA to be carried over to the next plan year. This means that year-end balances will be forfeited after the end of the claim period.

Employees must decide whether the FSA or federal and state dependent care tax credits is the best option for them. The advice of a tax specialist is recommended.

Additional information and forms are available from personnel assistants, personnel officers, the Web, or by calling the Iowa Department of Administrative Services.